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Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 IO-13 SSM-03 COME-00 EB-07 LAB-04 SIL-01
OMB-01 TRSE-00 /086 W
----------116334 191712Z /53
R 191346Z JUL 77
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 7322
INFO AMCONSUL JERUSALEM

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E.O. 11652: N/A
TAGS: EFIN, IS, ECON
SUBJECT: HISTADRUT REACTION TO GEVERNMENT ANNOUNCEMENT OF CUTS
IN SUBSIDIES

REF: TEL AVIV 5271

SUMMARY: THE GOVERNMENT ANNOUNCEMENT OF SUBSIDY CUTS
ON JULY 17 LEFT THE HISTADRUT AND THE LABOR PARTY DIVIDED
AND UNDECIDED ON HOW TO PROCEED. ALTHOUGH THEY OBJECTED
TO THE IMPACT OF THE CUTS ON WAGE EARNERS, THEY WERE
EVEN MORE UPSET THAT THEY HAD PLAYED NO ROLE IN THE
DECISION. THEIR FRUSTRATION IS COMPOUNDED BY THE FACT
THAT THEY DO NOT KNOW HOW MUCH SUPPORT FOR PROTEST ACTION
THEY COULD MOBILIZE AMONG THEIR MEMBERS, AND TO WHAT
EXTENT THEY WILL BE ABLE TO TRADE OFF GOVERNMENT-HISTADRUT
COOPERATION FOR GOVERNMENT ASSURANCES THAT IT WILL NOT SEEK
TO CHANGE AND WEAKEN HISTADRUT INSTITUTIONS. FOLLOWING
ALL DAY DISCUSSIONS ON JULY 18 INVOLVING THE HISTADRUT
AND THE LABOR PARTY, IT WAS DECIDED TO TRY FOR
A NO-CONFIDENCE VOTE AND TO DEMAND FULL LINKAGE
OF WAGES TO THE COST OF LIVING. PROTEST MEEGINGS
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ARE TO BE HELD THROUGHOUT THE COUNTRY TO MEASURE RANK
AND FILE ATTITUDE. IN THE MEANTIME, THE MORE MILITANT
ELEMENTS IN THE LABOR PARTY AND MAPAM ARE UPSET AND
RESENTFUL OVER THEIR LEADERS' APPARENT INACTION. END
SUMMARY

1. FINANCE MINISTER EHRLICH'S SURPRISE ANNOUNCEMENT

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ON THE EVENING OF JULY 17 THAT PRICES OF SUBSIDIZED
GOODS AND SERVICES WOULD BE INCREASED BY AN AVERAGE
OF 25 PERCENT AND THAT SUBSIDIES FOR THESE ITEMS WOULD
BE CORRESPONDINGLY CUT (REFTEL) PROVOKED CONSIDERABLE
DISMAY AMONG THE HISTADRUT LEADERSHIP. IN A MARATHON
ALL DAY DISCUSSION THEY BITTERLY COMPLAINED ABOUT GOVERN-
MENT FAILURE TO CONSULT THEM AND TO NEGOTIATE THE RE-
DUCTIONS OF SUBSIDIES AS PART OF AN OVERALL PRICE-
WAGE-TAX PACKAGE. LABOR PARTY LEADERSHIP REACTION
APPEARS TO HAVE BEEN SOMEWHAT MORE MUTED, WITH SHIMON
PERES STRESSING THE RISKS OF REDUCING THE DEFENSE
BUDGET RATHER THAN THE SOCIO-ECONOMIC PROBLEMS.

2. FINANCE MINISTER EHRLICH, NOT WITHOUT SOME
JUSTIFICATION, EXPLAINED THAT CONSULTATIONS WITH
THE HISTADRUT WOULD HAVE LED NOT ONLY TO PROTRACTED
ARGUMENTS, BUT WOULD HAVE MEDE MAINTENANCE OF SECRECY
IMPOSSIBLE. THIS ALMOST CERTAINLY WOULD HAVE
LED TO SPECULATION AND PANIC BUYING. IN ANY CASE,
THE GOVERNMENT HAS ACCEDED TO HISTADRUT SECRETARY
GENERAL MESHEL'S EARLIER DEMANDS THAT THOSE RECEIVING CHILDREN'S
ALLOWANCES AND ALL OTHERS RECEIVING BENEFITS FROM THE NATIONAL
INSURANCE FUND BE FULLY COMPENSATED FOR THE ANTICIPATED
INFLATIONARY IMPACT OF THE PRICE INCREASES.

3. THE HISTADRUT'S DISMAY WAS EVIDENTLY MORE OVER
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THE QUESTION OF HOW TO REACT THAN OVER THE ACTUAL
MEASURES TAKEN BY THE GOVERNMENT. THE LATTER'S UNI-
LATERAL ACTION FULLY DRAMATIZED THE FACR THAT THE
ERA OF THE HISTADRUT'S SPECIAL AND PRIVILEGED RELATIONS
WITH THE GOVERNMENT HAD COME TO AN END. DURING THE
DISCUSSIONS IN BOTH THE EXECUTIVE BRUEAU, WHICH CONSISTS
ONLY OF ALIGNMENT MEMBERS, AND THE EXECUTIVE
COMMITTEE, IN WHICH ALL PARTIES ARE REPRESENTED, THE
INTERNAL DIVISION OVER THIS DILEMMA BECAME QUITE APPARENT.
IN THE END THE EXECUTIVE BUREAU IMPOSED ON A RELUCTANT
SECRETARY GENERAL THAT HE DEMAND REOPENING OF THE COST
OF LIVING AGREEMENT NEGOTIATED IN 1975 WHICH IS DUE TO EXPIRE
IN 1980 AND ASK FOR FULL COST OF LIVING LINKAGE INSTEAD OF THE
PRESENT 70 PERCENT AND FOR QUARTERLY INSTEAD OF SEMI-ANNUAL WAGE
ADJUSTMENTS. THE HISTADRUT WILL ALSO CONDUCT A NUMBER OF ONE HOUR
PROTEST MEETINGS IN WORK PLACES THROUGHOUT THE

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SP-02 SS-15 USIA-06 COME-00 EB-07 LAB-04 SIL-01
OMB-01 TRSE-00 /086 W
----------116437 191721Z /53
R 191346Z JUL 77
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COUNTRY TO DENOUNCE THE GOVERNMENT'S ACTION. IN
THE KNESSET THE LABOR PARTY HAS COMMITTED ITSELF
TO CALL FOR A PRO-FORMA NO-CONFIDENCE VOTE, WHICH
IT IS ALMOST CERTAIN TO LOSE AND IN WHICH THE DMC
WILL SUPPORT THE GOVERNMENT. THROUGHOUT THE DEBATES
OF THE MEASURES TO BE TAKEN, MESHEL CAUSTIONED THE
HISTADRUT LEADERS OF THE RISKS WHICH A CONFRONTATION
WITH THE GOVERNMENT WOULD ENTAIL. DESPITE THE
MANIFESTATIONS OF MILITANCY BY MAPAM AND SOME LEFT
WINGERS, NEITHER HISTADRUT NOR THE ALIGNMENT CAN
BE SURE THAT AT THIS STAGE THEY WOULD GET THE SUPPORT
OF THE MEMBERSHIP, WHICH WHATEVER ITS ECONOMIC
CONCERN, APPRECIATES AN AT LEAST OUTWARDLY UNITED
GOVERNMENT UNDER A STRONG PRIME MINISTER. AT THE
SAME TIME THE LEADERS ARE AWARE OF THEIR VULNERABLITY
TO CHARGES THAT THEY ARE UNWILLING TO TAKE RISKS AND
TO ASSUME THE LEADERSHIP ROLE FOR WHICH THEY ONLY TOO
READILY CLAIM TO HAVE RECEIVED A MANDATE IN THE HISTADRUT ELECTION.

4. HISTADRUT BITTERNESS HAD BEEN FURTHER EXACERBATED BY THE WAY
YORAM ARIDOR, A FORMER LEADER OF THE HISTADRUT'S LIKUD
FACTION, HAS BEEN HANDLING A SEAMEN'S STRIKE IN EILAT.
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ACCORDING TO HISTADRUT SOURCES, ARIDOR MADE A DEAL
WITH THE SEAMEN AFTER THE HISTADRUT HAD ANNOUNCED THE
EXPULSION OF THE STRIKERS AND HAD INSISTED ON
BRINGING CRIMINAL CHARGES AGAINST SEVERAL UNION
LEADERS WHO REPORTEDLY NEARLY KILLED THE CAPTAIN

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OF A STRIKE BOUND ZIM LINER, WHO WAS SAVED ONLY
BY A POLICE RAID ON THE SHIP. ARIDOR ALSO ANNOUNCED
PLANS OF DEALING DIRECTLY WITH THE GOVERNMENT EMPLOYEE
REPRESENTATIVES, THEREBY SIGNALING HIS INTENTION
TO SIDESTEP THE HISTADRUT MACHINERY FOR NEGOTIATIONS.

5. MESHEL SHARES THE CONCERN OF MOST HISTADRUT
LEADERS THAT THE GOVERNMENT MAY SERIOUSLY THREATEN THE
HISTADRUT AS AN INSTITUTION. NOT KNOWING HOW FAR
HE CAN PRESSURE THE GOVERNMENT INTO MODIFYING ITS
WAGE-PRICE-TAX POLICY, HE HOULD LIKE TO BARGAIN HIS
EARLIER OFFER OF COOPERATION IN EXCHANGE FOR GOVERNMENT ASSURANCES
THAT IT WILL NOT TRY TO DISMANTLE THE HISTADRUT AND
THAT IT WILL HENCEFORTH COOPERATE AND CONSULT WITH
THE HISTADRUT ON MATTERS OF SOCIAL AND ECONOMIC POLICY.

6. THE OUTCOME OF THIS TUG-OF-WAR WILL DEPEND ON
BEGIN. SHORTLY BEFORE HE LEFT FOR THE U.S. HE APPOINTED
ARIDOR, A MILITANT SPOKESMAN FOR THE HERUT WING, TO
DEAD WITH LABOR AFFAIRS UNTIL A NEW MINISTRY OF LABOR
AND SOCIAL BETTERMENT COULD BE ESTABLISHED. EVEN IF THIS
MINISTRY IS EVENTUALLY TURNED OVER TO THE DMC AS PART
OF THE COALITION NEGOTIATIONS, ARIDOR, ACCORDING TO
NEWSPAPER REPORTS, MAY REAMIN THE PRIME MINISTER'S SPECIAL
ADVISER ON LABOR AND SOCIAL AFFAIRS, IN WHICH
ROLE HE WILL BE ASSIGNED THE TASK OF STRENGTHENING
AND EXPANDING THE ORGANIZATIONAL BASE OF HERUT
IN URBAN COMMUNITIES, SETTLEMENT TOWNS, AND THE
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HISTADRUT. WHILE THE LIBERAL PARTY WING OF THE
LIKUD MAY DESIRE A DIFFERENT POLITICAL GAME PLAN,
EITHER WITH OR WITHOUT THE COOPERATION OF THE DMC,
THE OUTCOME WILL VERY MUCH DEPEND ON HOW BEGIN
HIMSLEF WILL SORT OUT THE CONFLICTS WITHIN HIS OWN
COALITION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL STABILITY, DEVALUATIONS, SUBSIDIES, PARTY DISSENSION
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TELAV05308
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770268-0733
Format: TEL
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770741/aaaabjbb.tel
Line Count: 211
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 044e9a67-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 TEL AVIV 5271
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1812895
Secure: OPEN
Status: NATIVE
Subject: HISTADRUT REACTION TO GEVERNMENT ANNOUNCEMENT OF CUTS IN SUBSIDIES
TAGS: EFIN, ECON, PINT, IS
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/044e9a67-c288-dd11-92da-001cc4696bcc
Review Markings:
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US Department of State
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22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009